



King Sabata Dalindyebo Local Municipality
Annual financial statements
for the year ended 30 June 2023

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Nature of business and principal activities

King Sabata Dalindyebo Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998).

Mayoral committee

Executive Mayor

Cllr. GN Nelani

Speaker

Cllr. N Siyo-Sokutu

Chief Whip

Cllr. B Mlanjeni

Members of the Mayoral Committee

Cllr. MS Dudumayo

Cllr. Z Nokayi

Cllr. YR Gwadiso

Cllr. N Mayi

Cllr. N Sibeko

Cllr. S Nyengane

Cllr. M Marasha

Cllr. Z Gana

Councillors

Cllr. SE Mngeni

Cllr. NG Sidlova

Cllr. MS Ngudle

Cllr. M Majeke

Cllr. N Matyeba

Cllr. N Jubeni

Cllr. SN Majikija

Cllr. N. Nkathu

Cllr. NG Tshaya

Cllr. B Silinga

Cllr. A Ketse

Cllr. CS Tokwana

Cllr. S Ratshalala

Cllr. SC Mshunqane

Cllr. ZL Siziba

Cllr. B Vuma

Cllr. MJ Msakeni

Cllr. S Dalasile

Cllr. S Mdunyelwa

Cllr. S Mhlaba

Cllr. TT Mtshakazana

Cllr. T Badli

Cllr. L Makhenke

Cllr. LC Mkalaka

Cllr. DM Teti

Cllr. B Nxeve

Cllr. TM Gqiba

Cllr. VNS Roji

Cllr. A Mgquba

Cllr. LM Luwaca

Cllr. N Gwebani

Cllr. S Madyum

Cllr. M Makaba

Cllr. G Ngqola

Cllr. B Ndlobongela

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

	Cllr. FN Nzimane Cllr. M Bunzana Cllr. R Knock Cllr. S Ngomfela Cllr. NS Tukayi Cllr. MG Mbutye Cllr. KL Jozana Cllr. MF Nokwali Cllr. SA Mthayi Cllr. MH Gxekana Cllr. AL Sekese Cllr. G Rapiya Cllr. N Matiso Cllr. S Semente Cllr. WC Tukwayo Cllr. T Malefane Cllr. SW Mrawu Cllr. M Mpangele Cllr. M Gadudu Cllr. N Matubatuba Cllr. YN Kekezwa Cllr. J Roerber Cllr. Z Madyibi Chief IF Siziba Chief N Mtirara
Chairpersons of Section 79 Committees	Cllr. M Bango Cllr. U Daniso Cllr. A Msuthu Cllr. B Mbiyo
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Mr E Jiholo
Accounting Officer	Mr N. Pakade
Registered office	Munitata Building Sutherland Street Mthatha 5099
Postal address	Private Bag X5083 Mthatha 5099
Bankers	ABSA FNB
Auditors	Auditor General South Africa Registered Auditors

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

	Page
Accounting officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 – 10
Accounting Policies	11 – 35
Notes to the Annual Financial Statements	36 – 83

Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax
SARS	South African Revenue Services
PAYE	Pay As You Earn
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
WCA	Workmens Compensation
SDL	Skills Development Levies
PPE	Property, plant and equipment
MPAC	Municipal Public Accounts Committee
AFS	Annual Financial Statements
IPSAS	International Public Sector Accounting Standards
IAS	International Accounting Standards
mSCOA	Municipal Standard Chart of Accounts

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

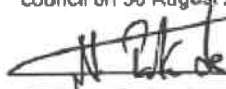
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their audit report will be issued by the 30th of November 2023.

The annual financial statements set out on page 5 to 85, which have been prepared on the going concern basis, were noted by council on 30 August 2023 and were approved and signed on behalf of the municipality by the accounting officer:



Mr N. Pakade
Accounting Officer

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	2	191 474 532	195 947 745
Receivables from exchange transactions	3	102 497 307	62 655 213
Receivables from non-exchange transactions	4	109 395 895	75 183 487
Insurance Prepayment	5	1 881 031	1 682 813
Cash and cash equivalents	7	58 306 528	16 744 463
		463 555 293	352 213 721
Non-Current Assets			
Investment property	8	359 749 922	336 204 880
Property, plant and equipment	9	2 002 897 531	2 165 824 056
Intangible assets	10	588 675	1 177 351
Heritage assets	11	3 201 000	3 201 000
		2 366 437 128	2 506 407 287
Total Assets		2 829 992 421	2 858 621 008
Liabilities			
Current Liabilities			
Other financial liabilities	12	2 135 142	3 577 177
Finance lease obligation	13	6 407 337	25 954 244
Payables from exchange transactions	14	468 921 578	417 085 098
VAT payable	6	8 411 498	12 607 634
Consumer deposits	15	29 991 715	25 306 028
Unspent conditional grants and receipts	16	30 881 024	10 313 214
Provisions	17	3 833 000	2 372 000
Other Liabilities	18	4 852 597	9 731 633
		555 433 891	506 947 028
Non-Current Liabilities			
Other financial liabilities	12	4 270 285	6 363 968
Finance lease obligation	13	116 043	6 523 168
Provisions	17	56 168 691	53 687 655
		60 555 019	66 574 791
Total Liabilities		615 988 910	573 521 819
Net Assets		2 214 003 511	2 285 099 189
Reserves			
Revaluation reserve	19	523 461 992	527 261 431
Self-insurance reserve	20	4 041 814	3 881 786
Accumulated surplus		1 686 499 697	1 753 955 976
Total Net Assets		2 214 003 503	2 285 099 193

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	585 394 681	560 756 054
Rental of facilities and equipment	22	21 993 834	18 022 332
Licences and permits	23	13 865 081	13 460 587
Other income	24	21 596 113	30 213 793
Interest revenue	25	40 065 568	22 833 919
Fair value adjustments	26	23 535 042	11 055 093
Total revenue from exchange transactions		706 450 319	656 341 778
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	292 368 397	285 453 763
Recoveries	28	394 276	23 820 997
Interest revenue	29	30 414 941	15 528 926
Transfer revenue			
Government grants & subsidies	30	554 880 729	492 382 124
Public contributions and donations	31	3 276 132	67 970
Fines, Penalties and Forfeits	32	1 697 368	2 007 221
Total revenue from non-exchange transactions		883 031 843	819 261 001
Total revenue	33	1 589 482 162	1 475 602 779
Expenditure			
Employee related costs	34	(547 213 093)	(535 950 547)
Remuneration of councillors	35	(29 698 451)	(28 625 984)
Depreciation and amortisation	36	(259 699 426)	(160 799 224)
Impairment of assets	37	(2 444 464)	-
Loss on disposal of assets	38	(6 777 449)	(1 086 572)
Finance costs	39	(13 583 877)	(18 912 342)
Lease rentals on operating lease	40	(11 900 310)	(15 423 207)
Debt Impairment	41	(21 665 529)	188 664
Bulk purchases	42	(398 821 615)	(387 728 872)
Contracted services	43	(25 479 956)	(21 802 686)
Grants and Subsidies paid	44	(64 417 857)	(64 922 662)
Inventories write downs		-	(19 489 068)
Transfer of Properties/Donations	45	(24 918 969)	(43 194 646)
General Expenses	46	(254 116 890)	(236 733 210)
Total expenditure		(1 660 737 886)	(1 534 480 356)
Surplus (deficit) for the period		(71 255 724)	(58 877 577)

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

* See Note 61

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Insurance reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported 01 July 2021	383 988 031	3 834 223	387 822 254	1 831 459 113	2 219 281 367
Adjustments					
Correction of errors 61	-	-	-	(18 625 560)	(18 625 560)
Restated Balance at 01 July 2021	383 988 031	3 834 223	387 822 254	1 812 833 553	2 200 655 807
Changes in net assets					
Surplus for the year	-	-	-	(58 877 577)	(58 877 577)
Revaluation of assets	143 273 400	-	143 273 400	-	143 273 400
Movement during the year	-	47 563	47 563	-	47 563
Total changes	143 273 400	47 563	143 320 963	(58 877 577)	84 443 386
Restated* Balance at 01 July 2022	527 261 431	3 881 786	531 143 217	1 753 955 982	2 285 099 199
Changes in net assets					
Surplus for the year	-	-	-	(71 255 724)	(71 255 724)
Movement during the year	-	160 028	160 028	-	160 028
Transfers to surplus/(deficit) relating to revaluation surplus on transferred properties	(3 799 439)	-	(3 799 439)	3 799 439	-
Total changes	(3 799 439)	160 028	(3 639 411)	(67 456 285)	(71 095 696)
Balance at 30 June 2023	523 461 992	4 041 814	527 503 806	1 686 499 697	2 214 003 503
Note(s)	19	20			

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

* See Note 61

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates		249 062 659	299 949 764
Receipts from customers		605 667 117	607 380 667
Grants		538 258 648	485 857 263
Interest income		69 740 850	38 362 845
		<u>1 462 729 274</u>	<u>1 431 550 539</u>
Payments			
Employee costs		(565 737 225)	(583 837 787)
Suppliers		(691 284 806)	(692 262 335)
Finance costs		(11 790 841)	(17 212 782)
		<u>(1 268 812 872)</u>	<u>(1 293 312 904)</u>
Net cash flows from operating activities	48	193 916 402	138 237 635
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(124 609 554)	(146 918 160)
Proceeds from sale of property, plant and equipment	9	1 744 967	18 993
Net cash flows utilised in investing activities		(122 864 587)	(146 899 167)
Cash flows from financing activities			
Finance lease payments		(25 954 032)	(22 788 505)
Repayment of other financial liabilities		(3 535 718)	(2 195 217)
Net cash flows utilised in financing activities		(29 489 750)	(24 983 722)
Net increase/(decrease) in cash and cash equivalents		41 562 065	(33 645 254)
Cash and cash equivalents at the beginning of the year		16 744 463	50 389 717
Cash and cash equivalents at the end of the year	7	58 306 528	16 744 463

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

* See Note 61

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	616 239 251	3 471 965	619 711 216	585 394 681	(34 316 535)	Note 49
Rental of facilities and equipment	18 019 008	1 255 033	19 274 041	21 993 834	2 719 793	Note 49
Licences and permits	13 388 470	3 039 527	16 427 997	13 865 081	(2 562 916)	Note 49
Other income	36 883 038	7 524 865	44 407 903	21 596 113	(22 811 790)	Note 49
Interest revenue	21 963 543	-	21 963 543	40 065 568	18 102 025	Note 49
Total revenue from exchange transactions	706 493 310	15 291 390	721 784 700	682 915 277	(38 869 423)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	307 662 218	-	307 662 218	292 368 397	(15 293 821)	Note 49
Recoveries	2 585 777	-	2 585 777	394 276	(2 191 501)	Note 49
Interest revenue	-	16 000 000	16 000 000	30 414 941	14 414 941	Note 49
Transfer revenue						
Government grants & subsidies	655 396 335	92 047 537	747 443 872	554 880 729	(192 563 143)	Note 49
Public contributions and donations	-	3 300 000	3 300 000	3 276 132	(23 868)	Note 49
Fines, Penalties and Forfeits	7 740 853	(3 642 559)	4 098 294	1 697 368	(2 400 926)	Note 49
Total revenue from non-exchange transactions	973 385 183	107 704 978	1 081 090 161	883 031 843	(198 058 318)	
Total revenue	1 679 878 493	122 996 368	1 802 874 861	1 565 947 120	(236 927 741)	
Expenditure						
Employee related costs	(549 933 252)	22 274 675	(527 658 577)	(547 213 093)	(19 554 516)	Note 49
Remuneration of councillors	(34 225 062)	14 969	(34 210 093)	(29 698 451)	4 511 642	Note 49
Depreciation and amortisation	(158 272 438)	-	(158 272 438)	(259 699 426)	(101 426 988)	Note 49
Impairment loss/ Reversal of impairments	-	-	-	(2 444 464)	(2 444 464)	Note 49
Gains /loss on disposal of PPE	-	563 500	563 500	(6 777 449)	(7 340 949)	Note 49
Finance costs	(6 553 144)	-	(6 553 144)	(13 583 877)	(7 030 733)	Note 49
Lease rentals on operating lease	(20 310 159)	4 102 673	(16 207 486)	(11 900 310)	4 307 176	Note 49
Debt Impairment	(15 000 000)	1 909 783	(13 090 217)	(21 665 529)	(8 575 312)	Note 49
Bulk purchases	(452 820 072)	-	(452 820 072)	(398 821 615)	53 998 457	Note 49
Contracted services	(4 763 928)	(6 078 022)	(10 841 950)	(25 479 956)	(14 638 006)	Note 49
Grants and subsidies paid	(50 207 163)	594 793	(49 612 370)	(64 417 857)	(14 805 487)	Note 49
General Expenses	(147 116 126)	-	(147 116 126)	(254 116 890)	(107 000 764)	Note 49
Total expenditure	(1 439 201 344)	23 382 371	(1 415 818 973)	(1 635 818 917)	(219 999 944)	
Operating deficit	240 677 149	146 378 739	387 055 888	(69 871 797)	(456 927 685)	
Fair value adjustments	-	-	-	23 535 042	23 535 042	Note 49
Transfer of properties	-	-	-	(24 918 969)	(24 918 969)	Note 49
Surplus on distribution of non-cash assets to owners	240 311 570	116 229 745	356 541 315	-	(356 541 315)	
	240 311 570	116 229 745	356 541 315	(1 383 927)	(357 925 242)	

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	480 988 719	262 608 484	743 597 203	(71 255 724)	(814 852 927)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	480 988 719	262 608 484	743 597 203	(71 255 724)	(814 852 927)	

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standard of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for the foreseeable future.

1.3 Materiality

Materiality omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on an individual debtor basis, based on historical loss ratios, debtor type and other indicators present at the reporting date that correlate with defaults.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note 62.

Useful lives of Property, plant and equipment, Intangible assets and Investment property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets are based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.5 Investment property

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. The cost of self-constructed investment property is the cost at the date of completion.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.6 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings where is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	5-50 years
Plant and machinery	Straight-line	5-10 years
Furniture and fixtures	Straight-line	3-5 years
Office equipment	Straight-line	5-7 years
IT equipment	Straight-line	5-7 years
Computer software	Straight-line	3-5 years
Roads and paving	Straight-line	30 years
Access roads	Straight-line	3-10 years

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

Pedestrian malls	Straight-line	30 years
Electricity	Straight-line	10-50 years
Community Buildings	Straight-line	30-50 years
Recreational equipment	Straight-line	20-30 years
Security	Straight-line	5 years
Halls	Straight-line	30 years
Libraries	Straight-line	30-50 years
Parks and gardens	Straight-line	20-30 years
Sports fields	Straight-line	20-30 years
Other property, plant and equipment		
Other vehicles	Straight-line	5 years
Other items of plant and equipment	Straight-line	7-10 years
Landfill sites	Straight-line	4-30 years
Fire engines	Straight-line	10-20 years
Bins and containers	Straight-line	5 years
Other leased assets		
Motor vehicles	Straight-line	5-20 years
Laboratory equipment	Straight-line	5-7 years
Specialised vehicles	Straight-line	10 years
Heritage assets	Straight-line	infinite
Cemetery	Straight-line	25-30 years
Stadium	Straight-line	25-30 years
Bridges	Straight-line	25-100 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.7 Intangible assets

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies**1.7 Intangible assets (continued)**

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	3-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest in another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities - Long term	Financial liability measured at amortised cost
Other financial liabilities - Short term	Financial liability measured at amortised cost
Finance lease obligation - Short term	
Finance lease obligation - Long term	
Payables from exchange transactions	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Statutory receivables (continued)

- impairment losses; and
- amounts derecognised.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories shall be recognised as an asset if and only if;

- it is probable that future economic benefits or service potential associated with the item will flow to the entity ;and
- The cost of the inventories can be measured reliably.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories encompass goods held for resale including, for example, merchandise purchased by an entity and held for resale, or land and other property held for sale. Inventories also encompass finished goods produced, or work-in progress being produced, by the entity. Inventories also include materials and supplies awaiting use in the production process and goods purchased or produced by an entity, which are for distribution to other parties through a non-exchange transaction.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification of a potential impairment

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement of cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-generating assets.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest received

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies**1.21 Accounting by principals and agents (continued)****Assessing which entity benefits from the transactions with third parties**

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.26 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Value added tax (VAT)

The municipality accounts for VAT on an accrual basis and is registered with the South African Revenue Services (SARS) for VAT on the payments (cash) basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.31 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to three months consumption of electricity services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposit.

1.32 Unspent conditional grants

This is represented funds unspent at the end of the financial year on grants received from national and provincial government or any other external party that can only be spent for the condition for which it was received. The amount is recognised as a current liability until the conditions of the grant are met or the money is transferred back to the funder

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
2. Inventories		
Land - Held for transfers	167 369 027	194 318 595
Consumables Stores	3 002 310	3 036 814
Electrical Equipment	21 103 195	18 081 404
	<u>191 474 532</u>	<u>215 436 813</u>
Inventories (write-downs)	-	(19 489 068)
	<u>191 474 532</u>	<u>195 947 745</u>
 Inventories recognised as an expense during the year	 4 592 180	 6 201 087
Properties transferred to beneficiaries		
Carrying value properties transferred to beneficiaries (Donations/Transfer of assets)	7 460 500	24 133 240
 3. Receivables from exchange transactions		
Consumer debtors other	8 703	7 983
Consumer debtors - Sundry debtors	964 906	5 833 089
Consumer debtors - Electricity	95 114 246	94 150 558
Consumer debtors - Refuse	261 259 251	225 026 253
Consumer debtors - Rentals	160 102 497	141 359 022
Provision for impairment	(414 952 296)	(403 721 692)
	<u>102 497 307</u>	<u>62 655 213</u>
 Trade and other receivables pledged as security		
The municipality does not have any receivables from exchange transactions that have been pledged as security.		
Fair value of trade and other receivables		
Trade and other receivables	102 497 307	62 655 213
The fair value of trade and other receivables from exchange transactions approximates their carrying amount.		
Trade and other receivables past due but not impaired		
The normal credit term for the municipality is 30 days. At 30 June 2023, receivables of R48 280 491 (2022: R 28 200 379) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
2 months past due	10 661 179	4 066 920
3 months past due	8 131 426	2 705 887
Over 3 months past due	21 832 611	21 427 572
Penalties and interest	7 655 275	-

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

3. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2023, trade and other receivables of 414 952 296 (2022:403 721 692) were impaired and provided for.

The ageing of these amounts is as follows:

1 to 3 months	63 337 056	61 235 775
3 to 6 months	20 655 504	18 624 153
Over six months	219 362 270	219 122 270
Penalties and interest	111 597 467	104 739 495

Included in the above are receivables from exchange transactions as follows:

Electricity - Ageing

Current	41 254 185	34 280 802
31-60 days	13 944 473	14 417 309
61-90 days	10 931 927	5 975 002
91-120 days	8 038 637	4 631 326
>120 days	11 042 638	25 155 150
Penalties and Interest	6 585 268	6 652 807
Add: Debtors with credit balances	3 317 117	3 038 162
	95 114 245	94 150 558

Refuse - Ageing

Current	4 058 774	4 135 253
31-60 days	3 065 668	3 347 605
61-90 days	2 687 942	2 468 841
91-120 days	2 605 427	2 247 728
>120 days	172 955 676	164 936 572
Penalties and Interest	72 843 755	61 199 923
Add: Debtors with credit balances	3 042 009	(234 333)
Restatement	-	(13 075 336)
	261 259 251	225 026 253

Rentals - Ageing

Current	173 261	1 382 270
31-60 days	1 481 025	2 070 743
61-90 days	1 354 177	1 265 253
91-120 days	1 915 272	1 076 073
>120 days	94 894 222	93 253 507
Penalties and Interest	59 934 993	55 942 893
Add: Debtors with credit balances	349 547	842 958
Less : Restatement	-	(14 474 675)
	160 102 497	141 359 022

Sundry debtors- Ageing

>120 days	867 247	5 834 126
Add: Debtors with credit balances	97 659	(1 037)
	964 906	5 833 089

Sundry

>120 days	7 563	7 983
Add: debtors with credit balance	1 140	-
	8 703	7 983

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

3. Receivables from exchange transactions (continued)

Summary of debtors by customer classification as at 30 June 2023

	Consumers	Industrial/ Commercial	Government	Total
Current	5 185 279	23 710 417	16 599 118	45 494 814
31-60 days	3 300 459	7 100 506	8 090 201	18 491 166
61-90 days	2 964 876	5 207 578	6 801 732	14 974 186
91-120 days	3 441 486	3 495 209	5 622 640	12 559 335
>120 days	232 421 484	38 103 934	11 748 815	282 274 233
Penalties and Interest	114 186 163	21 726 987	935 247	136 848 397
	361 499 747	99 344 631	49 797 753	510 642 131
Less: provision for impairment	(348 667 510)	(66 284 786)	-	(414 952 296)
Debtors with credit balances	2 375 192	1 916 660	2 515 620	6 807 472
	15 207 429	34 976 505	52 313 373	102 497 307

Summary of debtors by customer classification as at 30 June 2022

	Consumers	Industrial/ Commercial	Government	Total
Current	4 386 345	20 512 579	5 056 802	29 955 726
31-60 days	4 289 921	11 945 923	3 599 814	19 835 658
61-90 days	2 977 129	6 044 434	687 530	9 709 093
91-120 days	2 753 115	4 710 285	491 726	7 955 126
>120 days	226 792 983	50 882 811	6 879 078	284 554 872
Penalties and Interest	100 596 966	21 277 894	1 920 762	123 795 622
Restatements	(11 469 254)	(976 281)	(629 829)	(13 075 364)
	330 327 205	114 397 645	18 005 883	462 730 733
Less: provision for impairment	(331 449 134)	(82 081 725)	-	(413 530 859)
Debtors with credit balances	758 304	2 841 105	46 762	3 646 171
Restatements	9 400 727	405 541	2 899	9 809 167
	9 037 102	35 562 566	18 055 544	62 655 212

Reconciliation of provision for impairment of trade and other receivables

Opening balance		
Provision for impairment	403 721 692	379 799 453
Restatement	11 230 604	33 731 406
	-	(9 809 167)
	414 952 296	403 721 692

4. Receivables from non-exchange transactions

SARS Recoveries	-	1 010 877
Government grants and subsidies	3 945 729	2 078 301
Consumer debtors old balances	9 388	(73 977)
Other receivables from non-exchange revenue	1 823 052	1 098 091
Consumer debtors - Rates	404 982 080	362 018 893
Impairment	(301 364 354)	(290 948 698)
	109 395 895	75 183 487

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Taxes	404 982 080	362 018 893
Consumer debtors - old balances	9 388	(73 977)
Grants	3 945 729	2 078 301
Impairment	(301 364 354)	(290 948 698)
	107 572 843	73 074 519

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
4. Receivables from non-exchange transactions (continued)		
Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:		
Other receivables from non-exchange transactions	1 823 052	1 098 091
SARS Recoveries	-	1 010 877
	1 823 052	2 108 968
Financial asset receivables included in receivables from non-exchange transactions above	-	-
Total receivables from non-exchange transactions	109 395 895	75 183 487

Statutory receivables general information

Transaction(s) arising from statute

Included in Receivables from non-exchange transactions are statutory receivables of 2023: R107 572 843 (2022: R73 074 519) Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessed based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

Government grants and subsidies relates to the spending on the Small Town Revitalisation grant. The Small Town Revitalisation relates to the Office of The Premier (OTP) grant and the municipality firstly has to submit an invoice for the work done to Office of The Premier before money can be transferred to the municipality. As at 30 June 2023 the work had been done and the money was only transferred after year end by Office of The Premier and hence the receivables is being raised as at year end for the work done.

Receivables from non-exchange transactions	109 361 278	75 183 487
--	-------------	------------

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R93 747 302 (2022: R64 948 979) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 990 965	4 083 141
2 months past due	1 541 146	1 111 700
3 months past due	69 386 605	47 603 015
Penalties and interest	20 828 586	12 151 123

Receivables from non-exchange transactions impaired

As of 30 June 2023, other receivables from non-exchange transactions of R301 364 353 (2022: R290 948 698) were impaired and provided for.

The amount of the provision was (301 364 353) as of 30 June 2023 (2022: (290 948 698)).

The ageing of these receivables is as follows:

1 to 6 months	21 049 264	28 850 395
3 to 6 months	11 737 845	10 348 633
Over 6 months	186 817 224	173 582 123
Penalties and interest	81 760 020	78 167 547

King Sabata Dalindyebo Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
4. Receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	290 948 698	323 094 007
Provision for impairment	10 415 655	(32 145 309)
	301 364 353	290 948 698
5. Prepayments		
Opening balance	1 682 813	-
Payment made during the year	198 218	1 682 813
	1 881 031	1 682 813
6. VAT payable		
VAT Payable	8 411 498	12 607 634
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 050	1 050
Bank balances	22 567 033	7 739 091
Short-term deposits	4 768 961	4 490 032
Other cash and cash equivalents	30 969 484	4 514 290
	58 306 528	16 744 463

Pledged as security

The municipality has ceded an investment equivalent to the principal loan amount plus interest calculated up to September 2003 in favour of the DBSA loan 10875/102

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Excess cash is invested with reputable financial institutions with good credit ratings

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB Call Account 62090323636	2 979 906	2 062 677	818 252	2 979 906	2 062 677	818 252
Electricity						
ABSA Call Account 4061496604	14 257 917	1 135 287	1 843 694	14 257 917	1 135 287	1 843 694
Electricity						
ABSA Cheques Account	434 804	684 092	419 239	434 804	684 092	419 239
4048218780						
General						
Self Insurance Reserve (Hollard	4 041 789	3 881 761	3 834 198	4 041 789	3 881 761	3 834 198
Insurance Company						
Account Experience)						
ABSA Call Account MTAB	52 201	49 714	48 447	52 201	49 714	48 447
9061932550						
Undaimed Group Life Insurance	1 797	2 279	2 847	1 797	2 279	2 847
ABSA 9057846202						
ABSA Target Save - Various	243 708	231 308	224 364	243 708	231 308	224 364
Accounts						
Investec Bank Invest 1100456924	315 695	295 546	284 732	315 695	295 546	284 732
ABSA Call Account KSD Election	140 494	133 627	130 075	140 494	133 627	130 075
9260118662						
ABSA Call Account Rural Planning	162 791	154 835	150 719	162 791	154 835	150 719
9260110101						
ABSA Call Account Organogram	9 938	9 609	9 523	9 938	9 609	9 523
Dev 9260110397						
ABSA Call Account Mqanduli	63 402	60 382	58 843	63 402	60 382	58 843
Middle Income 9095799392						
FNB Cheque 62471836513 Main	4 449 865	3 412 408	22 228 069	4 737 824	3 844 288	22 602 611
FNB Call 62480366345 DOE	596 435	64 879	62 735	596 435	64 879	62 735
Electrification						
FNB Call 62480370031 FMG	10 000	423 086	1 120 198	10 000	423 086	1 120 198
FNB Call Account 62480368838	5 738	130 395	27 567	5 738	130 395	27 567
MIG Account UCCMIP						
FNB Call Account 62480372863	11 132	10 666	10 313	11 132	10 666	10 313
Library						
FNB Call Account 62486520151	1 011 042	54 843	2 835 936	1 011 042	54 843	2 835 936
Infrastructure Skill Dev						
FNB Call Account 62504444639	18 179	17 586	17 487	18 179	17 586	17 487
DOT Taxi Rank						
FNB Call Account 62523941070	86 135	80 919	78 231	86 135	80 919	78 231
New Brighton						
FNB Call Account 62523942408	19 232 879	3 245 564	15 820 071	19 232 879	3 245 564	15 820 071
Kei Rail						
FNB Call Account 62559404092	165 972	79 138	141 001	165 873	79 138	141 001
Asset Financing						
FNB Call Account 62709676582	151 138	(19 096)	28 948	151 138	(19 096)	28 948
(DOT Payover Account)						
FNB Cheque Account	7 228	31 842	600 994	7 228	31 842	600 994
62810696487 Micros						
FNB Cheque Account	5 369 889	22 678	168 886	5 369 889	22 678	168 886
62856124161 Covid Account						
FNB - Money on call Account	4 199 274	55 552	54 353	4 199 274	55 552	54 353
62857329364 Demand Side						
Management						
Total	58 019 348	16 311 577	51 019 722	58 307 208	16 743 457	51 394 264

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

8. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	359 749 922	-	359 749 922	336 204 880	-	336 204 880

Reconciliation of investment property - 2023

	Opening balance	Transfers/Addit ion	Fair value adjustments	Total
Investment property	336 204 880	10 000	23 535 042	359 749 922

Reconciliation of investment property - 2022

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	333 328 826	(8 179 039)	11 055 093	336 204 880

Pledged as security

The municipality does not have any investment property that is pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The effective date of the revaluations was Friday, 30 June 2023. Revaluations were performed by an independent valuer, Mr Zack van der Merwe, and registered as a professional valuer in terms of the Valuers Act (Registration No 4973/1).

The valuation was based on open market value for existing use.

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2023		2022	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
				Accumulated depreciation and impairment
				Carrying value
Land	286 558 281	-	286 558 281	-
Buildings	380 813 451	(135 347 372)	245 466 079	390 754 890
Infrastructure	3 281 536 788	(2 260 647 777)	1 020 889 011	3 192 486 698
Community	396 631 187	(151 083 584)	245 547 603	(2 075 944 999)
Other property, plant and equipment	57 921 581	(30 870 018)	27 051 563	(136 019 156)
Work in progress	135 154 279	-	135 154 279	(27 403 287)
Specialised vehicles	180 640 558	(138 409 843)	42 230 715	-
Total	4 719 256 125	(2 716 358 594)	2 002 897 531	4 632 647 256
				(2 466 823 200)
				2 165 824 056

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Transfers out	Derecognition	Depreciation	Impairment loss	Total
Land	286 558 281	-	-	-	-	-	-	-	286 558 281
Buildings	280 859 501	-	(6 239 836)	-	-	-	(29 153 586)	-	245 466 079
Infrastructure	1 116 541 699	-	-	99 279 399	-	(2 070 057)	(190 417 566)	(2 444 464)	1 020 889 011
Community	256 780 067	-	-	3 831 964	-	-	(15 064 428)	-	245 547 603
Other property, plant and equipment	27 432 155	3 457 627	(212 522)	-	-	-	(3 625 697)	-	27 051 563
Work in progress	137 766 046	117 958 045	-	(103 111 363)	(17 458 449)	-	-	-	135 154 279
Specialised vehicles	59 886 307	3 193 882	-	-	-	-	(20 849 474)	-	42 230 715
	2 165 824 056	124 609 554	(6 452 358)	-	(17 458 449)	(2 070 057)	(259 110 751)	(2 444 464)	2 002 897 531

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Transfers out	Revaluations	Reclassification to Land inventory	Depreciation	Total
Land	335 472 997	-	-	-	-	-	-	-	335 472 997
Buildings	189 696 232	-	(1 007 843)	-	-	38 161 784	(87 076 500)	(12 940 504)	280 859 501
Infrastructure	1 153 521 238	2 608 655	-	67 404 091	-	105 111 616	-	(106 992 285)	1 116 541 699
Community	269 559 341	-	-	3 826 039	-	-	-	(16 605 313)	256 780 067
Other property, plant and equipment	26 037 499	4 656 364	(97 723)	-	-	-	-	(3 163 985)	27 432 155
Work in progress	113 468 058	114 521 514	-	(71 230 130)	(18 993 396)	-	-	-	135 154 279
Specialised vehicles	55 263 458	25 131 311	-	-	-	-	-	(20 508 462)	59 886 307
	2 143 018 823	146 917 844	(1 105 566)	-	(18 993 396)	143 273 400	(87 076 500)	(160 210 549)	2 165 824 056

Pledged as security

The municipality has ceded to DBSA all rights, title and interest to residential properties owned by it valued at approximately R12 million in relation to the DSBA ban 13335/201.

Compensation received for losses on property, plant and equipment – included in operating profit.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

9. Property, plant and equipment (continued)

Assets subject to finance lease

Included under specialised motor vehicles are 87 vehicles which are under finance lease from Wesbank/FNB with a total carrying amount of R6 523 380 (2022: R32 477 412). "Finance Lease Obligation" for additional information.

Revaluations

Land and buildings are re-valued independently every 3-5 years. The last revaluation of assets was June 2022. These assumptions used were based on current market conditions.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	94 411 525	43 354 538	137 766 063
Additions/capital expenditure	102 518 605	15 439 461	117 958 066
Transferred out	-	(17 458 449)	(17 458 449)
Transferred to completed items	(99 279 399)	(3 831 964)	(103 111 363)
	97 650 731	37 503 586	135 154 317

WIP Slow moving / Halted projects during the year

Project Name	Project Start Date	Project End Date	Reasons for delays	Expenditure to date
Baziya to Sixuluza Access Road / Bridge	01/01/2021	30/09/2021	The first contractor was terminated due to poor performance and delays in material deliveries by suppliers.	5 885 513
Rehabilitation and Reconstruction of Callaway and Eagle Street	18/06/2021	30/06/2022	The first contractor was terminated due to poor performance and site abandonment even after getting an extension, a second contractor had to be appointed.	14 688 208
				20 573 721

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

General expenses (note 46)	114 853 589	78 540 172
----------------------------	-------------	------------

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

King Sabata Dalindyebo Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2023		2022			
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Computer software	3 466 724	(2 878 049)	588 675	3 466 724	(2 289 373)	1 177 351
Reconciliation of intangible assets - 2023						

Computer software

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	1 177 351	(588 676)	588 675

Computer software

Pledged as security

	Opening balance	Amortisation	Total
Pledged as security	1 766 026	(588 675)	1 177 351

The municipality does not have any intangible assets that are pledged as security.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2023		2022	
	Cost	Accumulated impairment losses	Carrying value	Cost
Recreational parks	3 201 000	-	3 201 000	3 201 000
				Accumulated impairment losses
				-
				Carrying value
				3 201 000

Reconciliation of heritage assets 2023

Recreational parks	Opening balance	Total
	3 201 000	3 201 000

Reconciliation of heritage assets 2022

Recreational parks	Opening balance	Total
	3 201 000	3 201 000

12. Other financial liabilities

At amortised cost
Annuity Loan DBSA
DBSA loan 61001048 is redeemable in 2026 and a borrowing rate is 6.75%

6 405 427	9 941 145
-----------	-----------

Non-current liabilities
Designated at amortised cost

4 270 285	6 363 968
-----------	-----------

Current liabilities
Designated at amortised cost

2 135 142	3 577 177
-----------	-----------

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
13. Finance lease obligation		
Minimum lease payments due		
- within one year	6 572 316	28 014 357
- in second to fifth year inclusive	116 804	6 689 120
	6 689 120	34 703 477
less: future finance charges	(165 952)	(2 226 065)
Present value of minimum lease payments	6 523 168	32 477 412
Present value of minimum lease payments due		
- within one year	6 407 124	25 954 244
- in second to fifth year inclusive	116 043	6 523 168
	6 523 167	32 477 412
Non-current liabilities	116 043	6 523 168
Current liabilities	6 407 337	25 954 244
	6 523 380	32 477 412

The Wesbank/FNB motor vehicle finance lease contract was entered into during 2018 financial year. The finance lease periods for 5 years and each vehicle's period of lease begins on the delivery date and expires after 5 years. The finance lease balance is R6 523 380 (2022: R32 477 412) and attracts an average interest rate of 10.850% (2022: 10.850%) per annum.

The above was a facility of R120 million.

14. Payables from exchange transactions

Trade payables	299 556 211	259 805 209
Whirlpops Creditors	6 909 644	7 526 292
Operating lease smoothing	21 571	21 578
Deferred interest	20 615	20 615
Income Received In Advance	3 387 944	3 171 071
Salary payovers	10 127 951	1 744 319
Staff Prepaid Houses	1 075 999	1 075 999
Study Loans	23 866	23 866
Retentions	31 436 731	24 704 357
Unknown Deposits	3 401 009	6 510 526
Insurance Claims	2 500	2 500
Other payables	43 107 963	33 988 483
Deposits received	2 343 547	1 785 894
Accrued expense	5 378 917	17 367 966
Accrued Leave Pay and Bonus	54 482 403	50 659 924
Unclaimed Group Life	2 014 240	2 014 240
Salaries - Staff Allowances	5 265 467	6 297 259
Vendor deposits	365 000	365 000
	468 921 578	417 085 098

15. Consumer deposits

Electricity	29 991 715	25 306 028
-------------	------------	------------

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Provincial: Organogram Development	294 477	294 477
Provincial: Department of Transport - Taxi Rank	7 236 277	7 236 277
Provincial: KSD Elections Road Maintenance	109 543	109 543
Infrastructure Skills Development	61 047	-
Provincial: Department of Housing	333 652	333 652
Provincial: MTAB Grant	514 265	514 265
Human Settlement Projects	15 657 559	1 698 057
Provincial: Rural Planning & Survey	126 943	126 943
Energy Efficiency and Demand-Side Management (EEDSM)	1 116 341	-
Municipal Disaster Response Grant	5 360 000	-
Human Settlement graduates grant	70 920	-
	30 881 024	10 313 214

Movement during the year

Balance at the beginning of the period	10 313 214	8 407 027
Additions during the period	168 671 019	125 870 296
Income recognition during the period	(152 048 938)	(126 042 410)
Grants reclassified to receivables from non-exchange transactions	3 945 729	2 078 301
	30 881 024	10 313 214

17. Provisions

Reconciliation of provisions - 2023

	Opening balance	Additions	Total
Provision for long service awards - Current Portion	2 372 000	1 461 000	3 833 000
Provision for long service awards - Non-Current Portion	21 087 000	688 000	21 775 000
Environmental rehabilitation	32 600 655	1 793 036	34 393 691
	56 059 655	3 942 036	60 001 691

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Provision for long service awards - Current Portion	2 459 000	(87 000)	2 372 000
Provision for long service awards - Non-Current Portion	18 340 000	2 747 000	21 087 000
Environmental rehabilitation	30 901 095	1 699 560	32 600 655
	51 700 095	4 359 560	56 059 655

Non-current liabilities

Current liabilities

56 168 691	53 687 655
3 833 000	2 372 000
60 001 691	56 059 655

Environmental rehabilitation provision

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

17. Provisions (continued)

The provision relates to the rehabilitation of landfill sites. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, Act 107 of 1998, sections 3(14) – (16) and 4 (10) of Government Notice 718 of 3 July 2009, and the landfill permits issued under section 20 of the Environment Conservation Act, Act 73 of 1989, or the waste management licenses issued under section 50 of the National Environmental Management: Waste Act, Act 59 of 2008.

The municipality has two landfill sites (Mthatha and Mqanduli landfill site). At the current valuation date, 30 June 2023, the expected life of the Mthatha and Mqanduli landfill sites is projected to be +/-2 and +/- 2 years respectively.

The Landfill Rehabilitation Provision was calculated by external valuer Enzokuhle Enterprise.

Provision for long service awards

Service cost increased the liability by R3 602 000. Interest cost over the valuation period resulted in an increase in liability by R2 437 000. Some of the employees attained milestones during the valuation period and this resulted in expected benefits of R2 372 000 which reduced the accrued liability by the same margin.

The average liability has increased by 10% since the last valuation due to:

- An increase in the average earnings and an increase in the average past service,
- These impacts were partially offset by an increase in the net discount rate.

The total liability has increased by 9% (or R 2,149,000) due to the above, partially offset by the fact that there are 9 fewer eligible employees than at the last valuation.

Provision for long service award

Opening net liability	23 459 000	20 799 000
Service cost	3 062 000	2 583 000
Interest cost	2 437 000	1 775 000
Actuarial gain/(loss)	(978 000)	761 000
Expected benefits vesting	(2 372 000)	(2 459 000)
	25 608 000	23 459 000

18. Other liabilities

Principal Liability Human Settlement

4 852 597 9 731 633

The municipality received funding from the Eastern Cape Department of Human Settlement to build houses on their behalf and thus the municipality is acting as an agent on behalf of the Department.

Reconciliation Principal Liability Human Settlement:

Opening Balance	9 731 633	15 947 656
Receipts	9 956 659	-
Expenditure	(14 835 695)	(6 216 023)
	4 852 597	9 731 633

19. Revaluation reserve

Opening balance	527 261 431	383 988 031
Change during the year	(3 799 439)	143 273 400
	523 461 992	527 261 431

The revaluation reserve arises out of revaluation of land and buildings.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

20. Self-insurance reserve

The self-insurance reserve is established to cater for declined or disputed insurance claims

Opening balance	3 881 786	3 834 223
Movement in self insurance reserve	160 028	47 563
	4 041 814	3 881 786

21. Service charges

Sale of electricity	523 942 710	503 570 181
Refuse removal	61 451 971	57 185 873
	585 394 681	560 756 054

22. Rental of facilities and equipment

Premises		
Premises	19 514 284	15 946 846
Rental of facilities	513 926	213 442
Rental of Equipment	1 965 624	1 862 044
	21 993 834	18 022 332

23. Licences and permits

Permits - Vending and Hawking	53 942	44 883
Motor vehicle registration fees	9 319 063	9 156 582
Licence fees - Drivers Licence	3 493 773	3 632 566
Licence fees - Business	765 924	474 081
Vehicle Examination R/Worthy Fees	232 379	152 475
	13 865 081	13 460 587

24. Other income

Library fees	25 295	18 510
Insurance Claims	167 888	481 845
Call out revenue	255 573	260 615
Meter testing	2 264 762	2 721 011
Disconnection fees	3 398 410	3 059 594
Building plan approvals	2 156 073	1 632 283
Department of Transport SLA - Roads	2 354 885	11 362 908
Fire levy and other fees earned	9 688 397	9 856 499
Sundry income	1 284 830	820 528
	21 596 113	30 213 793

25. Interest revenue

Interest revenue		
Bank	4 305 484	1 062 816
Interest charged on receivables from exchange transactions	35 760 084	21 771 103
	40 065 568	22 833 919

26. Fair value adjustments

Investment property (Fair value model)	23 535 042	11 055 093
--	------------	------------

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

27. Property rates

Rates received

Residential	78 768 230	74 146 072
Commercial	113 639 854	110 997 987
State	99 723 642	100 064 372
Municipal	236 671	245 332
	292 368 397	285 453 763

Valuations

Residential	8 423 401 056	8 600 625 000
Commercial	6 869 120 282	6 710 320 000
State	3 581 926 000	3 703 110 000
Municipal	2 444 076 591	1 982 130 000
Small holdings and farms	9 160 000	9 160 000
Places of public worship	168 980 000	173 380 000
Vacant Land	402 359 841	291 740 000
Public Benefit Organisation	262 530 000	223 830 000
	22 161 553 770	21 694 295 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2026.

28. Recoveries

Recoveries	394 276	23 820 997
------------	---------	------------

Recoveries relate to refunds from SARS and ECDC interest & penalties that the municipality received a waiver from.

29. Interest revenue

Interest charged on receivables from non-exchange transactions	30 414 941	15 528 926
--	------------	------------

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

30. Government grants & subsidies

Operating grants

Equitable share	404 115 000	365 575 000
Infrastructure Skills Development	5 260 651	5 184 907
Expanded Public Works Program Grant	4 177 039	3 764 000
Library Grant	1 750 000	1 750 000
SETA Grant	795 090	764 715
MIG	2 951 225	3 958 942
FMG	2 611 713	2 489 400
VAT Operational	805 409	309 070
Electricity Demand Side Management	2 508 801	-
Human Settlement Graduates	200 778	-
	425 175 706	383 796 034

Capital grants

Human Settlement	10 117 627	8 113 071
VAT Capital	15 504 738	14 306 061
MIG	83 432 552	73 206 534
INEP	2 778 262	-
Small Town Revitalisation	17 871 844	12 960 424
	129 705 023	108 586 090
	554 880 729	492 382 124

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received

Various conditional grants received	116 583 738	99 231 569
VAT Operational	805 409	309 070
VAT Capital	15 504 738	14 306 061

Unconditional grants received

Equitable share	404 115 000	365 575 000
Small Town revitalisation	17 871 844	12 960 424
	554 880 729	492 382 124

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Organogram Development Grant

Balance unspent at beginning of year	294 477	294 477
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 16).

Department of Transport

Balance unspent at beginning of year	7 236 277	7 236 277
--------------------------------------	-----------	-----------

Conditions still to be met - remain liabilities (see note 16).

Municipal Infrastructure Grant (MIG)

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Government grants & subsidies (continued)		
Balance unspent at beginning of year	-	(1 739 527)
Current-year receipts	98 791 000	91 267 000
Conditions met - transferred to revenue	(98 791 000)	(89 527 473)
	-	-
Provincial: KSD Elections - Road Maintenance		
Balance unspent at beginning of year	109 543	109 543
Conditions still to be met - remain liabilities (see note 16).		
Finance Management Grant (FMG)		
Current-year receipts	2 850 000	2 650 000
Conditions met - transferred to revenue	(2 850 000)	(2 650 000)
	-	-
Infrastructure Skills Development Grant (ISDG)		
Balance unspent at beginning of year	-	(166 622)
Current-year receipts	5 500 000	5 500 000
Conditions met - transferred to revenue	(5 438 953)	(5 333 378)
	61 047	-
Department of Housing and Local Government		
Balance unspent at beginning of year	333 652	333 652
Conditions still to be met - remain liabilities (see note 16).		
Provincial: MTAB Grant		
Balance unspent at beginning of year	514 265	514 265
Conditions still to be met - remain liabilities (see note 16).		
Human Settlement Projects		
Balance unspent at beginning of year	1 698 057	1 698 018
Current-year receipts	24 077 128	8 113 109
Conditions met - transferred to revenue	(10 117 626)	(8 113 070)
	15 657 559	1 698 057
Conditions still to be met - remain liabilities (see note 16).		
Library Grant		
Current-year receipts	1 750 000	1 750 000
Conditions met - transferred to revenue	(1 750 000)	(1 750 000)

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. Government grants & subsidies (continued)		
	-	-
Provincial: Rural Planning & Survey		
Balance unspent at beginning of year	126 943	126 943
Conditions still to be met - remain liabilities (see note 16).		
Expanded Public Works Programme		
Current-year receipts	4 191 000	3 764 000
Conditions met - transferred to revenue	(4 191 000)	(3 764 000)
	-	-
Energy Efficiency and Demand-Side Management		
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(2 883 659)	-
	1 116 341	-
Conditions still to be met - remain liabilities (see note 16).		
Small Town Revitalisation		
Balance unspent at beginning of year	(2 078 301)	-
Current-year receipts	18 685 192	12 826 186
Conditions met - transferred to revenue	(20 552 621)	(14 904 487)
Reclassification to receivables from non-exchange transactions	3 945 730	2 078 301
	-	-
Municipal Disaster Response Grant		
Current-year receipts	5 360 000	-
Conditions still to be met - remain liabilities (see note 16).		
Integrated National Electrification Programme (INEP)		
Current-year receipts	3 195 000	-
Conditions met - transferred to revenue	(3 195 000)	-
	-	-
Human Settlement Graduates grant		
Current-year receipts	271 698	-

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
30. Government grants & subsidies (continued)		
Conditions met - transferred to revenue	(200 778)	-
	70 920	-

Conditions still to be met - remain liabilities (see note 16).

31. Public contributions and donations

Public contributions and donations	3 276 132	67 970
------------------------------------	-----------	--------

The 2023 donations received were assets donated by Groen Mintirho and Department of Forestry, Fisheries and the Environment to the Municipality.

32. Fines, Penalties and Forfeits

Service Provider Traffic Fines	31 900	35 128
Municipal Traffic Fines	1 539 768	1 565 000
Tender Withdrawal Penalties	118 000	85 200
Fines, Penalties and Forfeits	7 700	321 893
	1 697 368	2 007 221

All outstanding traffic fines have been impaired due to uncertainty of recovery, these debts by their nature can be contested in the courts or through application of fine relief.

33. Revenue

Service charges	585 394 681	560 756 054
Rental of facilities and equipment	21 993 834	18 022 332
Licences and permits	13 865 081	13 460 587
Other income	21 596 113	30 213 793
Interest revenue - exchange transactions	40 065 568	22 833 919
Property rates	292 368 397	285 453 763
Recoveries	394 276	23 820 997
Interest revenue - Non exchange transactions	30 414 941	15 528 926
Government grants & subsidies	554 880 729	492 382 124
Public contributions and donations	3 276 132	67 970
Fines, Penalties and Forfeits	1 697 368	2 007 221
Fair value adjustment	23 535 042	11 055 093
	1 589 482 162	1 475 602 779

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	585 394 681	560 756 054
Rental of facilities and equipment	21 993 834	18 022 332
Licences and permits	13 865 081	13 460 587
Other income	21 596 113	30 213 793
Interest received	40 065 568	22 833 919
Fair value adjustment	23 535 042	11 055 093
	706 450 319	656 341 778

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	292 368 397	285 453 763
Recoveries	394 276	23 820 997
Interest revenue - Non exchange transaction	30 414 941	15 528 926
Transfer revenue		
Government grants & subsidies	554 880 729	492 382 124
Public contributions and donations	3 276 132	67 970
Fines, Penalties and Forfeits	1 697 368	2 007 221
	883 031 843	819 261 001

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

34. Employee related costs

Basic	339 463 450	323 929 258
Medical aid - company contributions	28 825 897	27 467 670
UIF	2 931 324	2 916 133
WCA	2 997 569	3 920 501
SDL	709 959	559 572
Termination benefits	1 358 029	10 306 536
Leave pay provision charge	6 424 286	4 328 976
Pension and provident fund contributions	51 787 396	50 070 982
Travel, motor car, accommodation, subsistence and other allowances	28 984 451	25 042 925
Overtime payments	24 305 782	25 634 974
Long-service awards	8 528 308	9 508 539
Bonuses - Annual Leave	25 051 259	24 049 029
Acting allowances	1 882 488	2 457 683
Housing benefits and allowances	23 962 895	25 757 769
	547 213 093	535 950 547

Remuneration of municipal manager - Mr N Pakade

Annual Remuneration	843 568	907 082
Backpay	77 750	-
Contributions to UIF, Medical and Pension Funds	79 830	122 125
Accrual (backpay)	66 823	-
Bonus, pension and travelling allowance	670 290	522 625
	1 738 261	1 551 832

The Municipal Manager contract expired on the 31 August 2022 and was re-appointed 19 September 2022 as a Municipal Manager.

Remuneration of chief finance officer - Mr EF Jiholo

Annual Remuneration	862 899	856 476
Bonus	72 444	-
Back pay	32 118	-
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Accrual (backpay)	63 806	-
Bonus, pension and travelling allowance	545 963	591 708
	1 579 355	1 450 309

Remuneration of Director: Community Services - Mr LP Maka

Annual Remuneration	-	1 427 459
Back pay	21 412	-
Contributions to UIF, Medical and Pension Funds	354	2 125
Bonus, pension and travelling allowance	175 177	22 592
	196 943	1 452 176

Mr Maka contract end on the 30th June 2022.

Remuneration of Director: Corporate Services - Mr S Nodo

Annual Remuneration	764 354	758 664
Back pay	28 450	-
Acting Allowance	580	-
Contributions to UIF, Medical and Pension Funds	236 714	234 967
Accrual (backpay)	58 842	-

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

34. Employee related costs (continued)

Bonus,pension and travelling allowance

316 186

288 689

1 405 126

1 282 320

Remuneration of Director : Local Economic Development - Mr AO Pantshwa

Annual Remuneration

-

918 553

Car Allowance

23 529

-

Contributions to UIF, Medical and Pension Funds

354

80 125

Bonus,pension and travelling allowance

180 941

605 228

204 824

1 603 906

Mr Pantshwa contract ended on the 30th June 2022.

Remuneration of Director : Human Settlements - Miss GR Tobia

Annual Remuneration

503 108

1 207 460

Acting Allowance

4 528

-

Backpay

25 659

-

Contributions to UIF, Medical and Pension Funds

1 062

2 125

Accrual (backpay)

23 568

-

Bonus,pension and travelling allowance

80 843

16 509

638 768

1 226 094

Resigned on the 30th November 2022.

Remuneration of Director: Infrastructure - Mr U Mnqokoyi

Annual Remuneration

721 650

758 664

Back pay

25 289

-

Acting Allowance

3 068

-

Contributions to UIF, Medical and Pension Funds

80 029

315 156

Accrual (backpay)

43 742

-

Bonus,pension and travelling allowance

241 515

218 870

1 115 293

1 292 690

Contract expired 30 September 2022. Re-appointed 01 February 2023 as Director Infrastructure

Remuneration of Director : Public Safety - Mr D Kekkedas

Annual Remuneration

1 250 579

1 241 269

Back pay

27 929

-

Acting Allowance

813

-

Contributions to UIF, Medical and Pension Funds

2 125

2 125

Accrual (backpay)

58 137

-

Bonus,pension and travelling allowance

35 365

11 394

1 374 948

1 254 788

Remuneration of Chief Operating Officer - Ms GR Tobia

Annual Remuneration

744 778

-

Backpay

34 208

-

Acting Allowance

995

-

Contributions to UIF, Medical and Pension Funds

1 240

-

Accrual (backpay)

34 208

-

Bonus,pension and travelling allowance

11 356

-

King Sabata Dalindyebo Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

34. Employee related costs (continued) 2023 2022

Appointed on the 1st December 2022.

Remuneration of Director: Local and Economic Development - Mr M Mandla

Annual Remuneration	475 697	-
Contributions to UIF, Medical and Pension Funds	73 085	-
Accrual (backpay)	34 208	-
Bonus, pension and travelling allowance	179 948	-
	762 938	-

Appointed on the 1st December 2022.

Remuneration of Director : Community Services - F Guleni

Annual Remuneration	308 606	-
Acting Allowance	13 862	-
Backpay	19 548	-
Contributions to UIF, Medical and Pension Funds	708	-
Bonus, pension and travelling allowance	108 588	-
	451 312	-

Acting as Director Community from 01/07/2022 to 28/02/2023. Appointed 01 March 2023 as Director Community Services

Remuneration of Acting Director Infrastructure - B Gwadiiso

Acting Allowance	6 785	-
------------------	-------	---

Acting director for infrastructure from 1st October 2022 to 31st December 2022

Other information

Included in the shift allowance is R470 708,65 relating to 2022 financial year and R884 673,07 relating to 2021 and prior years paid in the current year.

Included in overtime is R632 262,61 relating to the 2022 financial year paid in the current year.

All the above amounts were paid in the current year after approval in October 2022.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
35. Remuneration of councillors		
Executive Mayor - GN Nelani	968 656	938 730
Speaker - Siyo-Sokutu	783 250	484 871
Speaker - TG Maqoko (Former)	1 280	276 384
Chief Whip - Mr B Mlanjeni	737 528	455 161
Chief Whip - Mr M Nyoka (Former)	1 280	260 127
Executive Committees	8 009 738	6 216 766
Other Councillors	19 196 719	19 993 947
	29 698 451	28 625 986
Executive Mayor - Mr Nelani		
Basic	920 656	856 512
Backpay paid and also due at year end	3 600	37 818
Cellphone	40 800	40 800
Data card 2023	3 600	3 600
	968 656	938 730
Speaker - Mrs N Siyo-Sokutu		
Basic	736 530	434 415
Backpay paid and also due at year end	2 320	21 842
Cellphone	40 800	26 293
Data card 2023	3 600	2 320
	783 250	484 870
Speaker (Outgoing) - Miss TG Maqoko		
Basic	-	254 250
Backpay paid and also due at year end	1 280	6 347
Cellphone	-	14 507
Data card 2023	-	1 280
	1 280	276 384
Chief Whip - Mr B Mlanjeni		
Basic	690 808	408 345
Backpay paid and also due at year end	2 320	18 202
Cellphone	40 800	26 293
Data card 2023	3 600	2 320
	737 528	455 160
Chief Whip (outgoing) - Mr M Nyoka		
Basic	-	238 360
Backpay paid and also due at year end	1 280	5 980
Cellphone	-	14 507
Data card 2023	-	1 280
	1 280	260 127
Executive Councillors		
Basic	7 212 266	5 411 731
Backpay paid and also due at year end	-	188 083
Cellphone	530 400	396 214
Data card 2023	34 960	34 960
Travelling	204 000	183 989
Subsistence allowance	28 112	1 789
	8 009 738	6 216 766

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
35. Remuneration of councillors (continued)		
Other Councillors		
Basic	14 936 941	16 329 075
Backpay paid and also due at year end	221 345	297 384
Cellphone	2 298 400	2 394 449
Data card 2023	214 623	214 623
Travelling Allowance	1 512 348	764 202
Subsistence allowance	13 062	-
	19 196 719	19 999 733
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and Speaker of the Council have the use of separate Council owned vehicles for official duties.		
36. Depreciation and amortisation		
Property, plant and equipment	259 110 751	160 210 549
Intangible assets	588 675	588 675
	259 699 426	160 799 224
37. Impairment loss		
Impairments		
Property, plant and equipment	2 444 464	-
38. Loss on disposal of assets		
Loss on disposal of assets	6 777 449	1 086 572
39. Finance costs		
Borrowings	3 554 808	5 288 511
Interest on overdue accounts trade and other payables	8 236 033	11 924 271
Interest on provision for landfill site	1 793 036	1 699 560
	13 583 877	18 912 342
40. Lease rentals on operating lease		
Premises		
Contractual amounts	1 142 775	2 156 854
Motor vehicles		
Contractual amounts	6 223 641	10 621 901
Equipment and other		
Contractual amounts	4 533 894	2 644 452
	11 900 310	15 423 207
41. Debt impairment		
Debt impairment	21 665 529	(188 664)

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
42. Bulk purchases		
Electricity - Eskom	398 821 615	387 728 872
43. Contracted services		
Information technology services	6 310 846	6 941 376
Specialist Services	4 651 359	4 410 670
Other Contractors	14 517 751	10 450 640
	25 479 956	21 802 686
44. Grants and Subsidies paid		
Other subsidies		
Council ward committees	10 530 000	10 067 091
Ward based budgeting	3 335 525	3 684 423
Other grants	29 400	441 655
Finance Management Grant	2 563 677	2 405 477
Infrastructure skills development grant	-	44 230
Community participation	4 689 801	5 125 959
Public expense	1 853 420	1 981 028
Expanded Public works program	6 249 029	7 439 661
Department of Local Government	-	12 600
Ward based budgeting	4 135	568 852
Indigent Subsidy	32 453 291	32 820 886
Electricity Demand Side	2 508 801	-
Grant Expenditure - Human Settlements	200 778	-
	64 417 857	64 922 662
	64 417 857	64 922 662
45. Transfer of properties/Donation		
Transfer of properties	24 918 969	43 194 646
The transfer of properties relates to properties that have been transferred to beneficiaries		

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
46. General expenses		
Advertising	1 071 840	381 508
Audit committee expenses	370 790	380 940
Auditors remuneration	11 652 756	10 343 718
Bank charges	1 239 426	1 451 634
Cleaning	6 043 580	4 340 000
Commission paid	2 266 560	2 871 989
Capital expenditure	-	1 624
Consulting and professional fees	2 722 639	12 223 361
Community cleaning project	4 648 129	1 634 103
Debt Incentive and debts adjustments	5 695 515	18 302 369
Entertainment	978 115	640 208
Erven Cleaning Fees	159 084	312 333
Incentive - Prompt Payment	2 954 617	2 244 425
Insurance	5 981 689	4 159 635
Community development and training	2 075 143	2 224 839
Conferences and seminars	2 893 455	556 974
Informal Trading -Assistance	-	994 000
Legal fees	11 574 006	17 781 761
Levies	10 995 936	10 249 965
Magazines, books and periodicals	21 001	17 497
Material & Stores	5 095 653	6 201 087
Motor vehicle expenses	1 220 630	1 362 098
Municipal Service Charges	9 673 797	12 237 961
Fuel and oil	16 620 609	13 139 221
Printing and stationery	1 218 445	1 569 483
Promotions and Sponsorships	214 850	26 073
Repairs and maintenance	114 853 589	78 540 172
Royalties and license fees	2 758 923	2 926 435
Recruitment Expenses	71 155	86 064
Rehabilitation of Tip Sites	187 910	1 240 780
Strategic Planning	646 895	607 478
Staff welfare	78 924	56 201
Subscriptions and membership fees	5 526	5 931
Telephone and fax	8 797 048	10 955 720
Training and Accommodation	2 133 797	3 183 082
Tourism Development	235 861	-
Subsistence & Travelling	9 844 732	4 596 966
Uniforms	3 387 315	4 709 087
Valuation Roll Expenses	244 270	749 418
Other Expense	3 482 680	3 427 070
	254 116 890	236 733 210
47. Auditors' remuneration		
Fees	11 652 756	10 343 718

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
48. Cash generated from operations		
Deficit	(71 255 724)	(58 877 577)
Adjustments for:		
Depreciation and amortisation	259 699 426	160 799 224
Inventory write down	-	19 489 068
Fair value adjustments	(23 535 042)	(11 055 093)
Finance costs - interest on landfill site (non-cash item)	1 793 036	1 699 560
Impairment loss	2 444 464	-
Debt impairment	21 665 529	(188 664)
Grants and subsidies received (non-cash item)	3 945 726	(2 078 301)
Loss on disposal of assets	6 777 449	1 086 572
Movement in Whirlpros included in finance costs	-	6 994
Employee Cost Non cash item	11 174 319	-
Items disclosed in other sections	774 526	-
Other non-cash items	133 967	(2 060)
Public Contributions	(3 276 132)	(67 970)
Movement in accrued leave and bonus provision	-	(930 829)
Changes in working capital:		
Inventories	2 987 287	(3 733 532)
Receivables from exchange transactions	(39 842 094)	(12 038 494)
Movement in provision for debt impairment- receivables from exchange transactions	(11 230 604)	(31 956 645)
Receivables from non-exchange transactions	(34 212 408)	(19 727 609)
Movement in provision for debt impairment - Receivables from non-exchange transactions	(10 434 925)	32 145 309
Insurance Prepayment	(198 218)	(1 682 813)
Grants included in receivables from non-exchange transactions	1 867 428	(2 078 301)
Movement in income received in advance	-	(144 219)
Debtors adjustment	5 695 515	-
Payables from exchange transactions	51 836 480	15 330 883
VAT	(4 196 136)	7 495 079
Income received from principal agent	9 956 659	-
Unspent conditional grants and receipts	(20 567 810)	(4 309 835)
Consumer deposits	4 685 687	1 455 119
Provisions and Obligations	2 149 000	4 359 560
Donations/Transfers of properties	24 918 969	43 194 646
Movement in self insurance reserves	160 028	47 563
	193 916 402	138 237 635

49. Budget differences

Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and have been explained below.

Property rates:

Property rates tariff was not increased for 2022/23 financial year. New GV was introduced in July 2021, new tariffs were also implemented in 2021/22 and were kept the same in 2022/23, the anticipated developments did not take place in 2022/23 hence the shortfall.

Service charges:

Possible theft and illegal connections and the effect and Loadshedding.

Rental of facilities and equipment:

Revenue billed more revenue than revenue budgeted for.

Licence and permits:

Post office also offer renewal of motor vehicle licences, regular loadshedding.

Other income:

Due to less receipt received on Department of transport than projected..

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

49. Budget differences (continued)

Interest revenue from investments:

Billed more than planned, due to slow recovery of debts and increase in investment income as a result of change in interest.

Recoveries:

This is due to under collection on insurance recoveries.

Interest revenue from outstanding debtors:

This is due to under collection on rates.

Government Grants and Subsidies:

This is due to Human settlement grant that was budget for but not received from the funder as well as under performance .

Public contributions and donations:

This is the recognition of a donation of a compactor truck from Forestry, Fisheries and Environment.

Fines, Penalties and Forfeits:

This is due to termination to under collection of traffic fines due to expiry of a contract of traffic fines management system.

Fair value adjustment:

Fair value adjustment was not budgeted for.

Gains/(loss) on disposal of PPE:

Loss on disposal of PPE at a value less than its book values.

Employee related costs:

This is due to expenditure on overtime that was not budgeted for.

Remuneration of councillors:

Remuneration of Councillors were projected at a rate higher than the determination of remuneration of councillor as approved by COGTA .

Depreciation and amortisation:

Due to revised useful as a result of floods and additions capitalised on property plant and Equipment in the current financial year.

Finance costs:

Due to under provision for finance charges and interest charged on outstanding creditors that was not budgeted for.

Debt impairment:

There was less provision for debt impairment that was budgeted based on last years actual.

Bulk purchases:

Due to loadshedding and illegal connections that resulted in less demand for electricity.

Contracted services:

Due to under budgeting on Contracted services and budget was based on prior year actuals.

Grants and subsidied paid:

Less provision made on transfers and subsidies (Indigent subsidy).

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

49. Budget differences (continued)

General expenses:

This is mainly overspending on Legal fees, repairs and maintenance and security services.

Impairment loss:

Impairment loss was not budgeted for as it was not anticipated.

Lease rentals on operating lease:

Lease rentals were over budgeted for with significant savings on hire charges external transport.

Transfer of properties

This is due to transfer of properties to beneficiaries that were never budgeted for

50. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	170 873 179	120 567 478
---------------------------------	-------------	-------------

Total capital commitments

Already contracted for but not provided for	170 873 179	120 567 478
---	-------------	-------------

Total commitments

Total commitments

Authorised capital expenditure	170 873 179	120 567 478
--------------------------------	-------------	-------------

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

51. Contingencies

At year end the municipality had the following contingent assets and contingent liabilities.

Pending litigations and claims

Disclosure :

- any any contingent liabilities that the venturer has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other ventures.
- its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and
- those contingent liabilities that arise because the venturers is contingently liable for the liabilities of the other venturers of a joint venture.

Cases

Claims for damages related to motor vehicles	2 020 000	2 980 510
Claims for damages arising out of the electrocution, Claims for damages for emotional shock and trauma, funeral expenses, claims for assault, and other claims for damages.	65 408 134	49 378 551
Claims related to unlawful arrests and detentions	7 245 000	2 770 000
Consolidated container/ caravans matters that were impounded when the Municipality embarked on a clean up campaign.	8 053 446	13 630 000
Labour matters: claims for acting allowance, claims for overtime, labour matters emanating from termination of contracts, alleged unfair dismissal	12 131 500	37 880 000
Land Matters: Land Claims, Eviction proceedings, Demolishing of structures	18 932 000	19 185 500
Tender claims: Contractual: Damages for alleged breach of a contract. Claim for Commission due, owing and payable allegedly flowing from an agreement to reconcile VAT and claim what is due to K.S.D.	1 330 000	680 000

115 120 080	126 504 561
--------------------	--------------------

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

52. Related parties

Members of key management

(Please refer to note 34 for details on members of key management)

N Pakade (Municipal Manager)
EF Jiholo (Chief Financial Officer)
F Guleni (Director Community Services)
D Kettledas (Director Public Safety)
M Mandla (Director RED)
U Mngokoyi (Director: Technical)Services)
SM Nodo (Director Corporate Services)
GR Tobia (Director – Human Settlement and later
appointed as COO)

Executive Mayor

Speaker

Chief Whip

Members of the Mayoral Committee:

Cllr. GN Nelani
Cllr. N Siyo-Sokutu
Cllr. B. Mlanjeni
Cllr. M.S Dudumayo
Cllr. M. Bango
Cllr. Z.Nokayi
Cllr. Y.R Gwadiso
Cllr. N.Mayi
Cllr. N. Sibeko
Cllr. S. Nyengane
Cllr. M. Marasha
Cllr. Z. Gana
Cllr. U. Daniso
Cllr. A. Msuthu
Cllr. B. Mbiyo
Cllr. S.E Mngeni
Cllr. N.G Sidlova
Cllr. M.S Ngudle
Cllr. S. Madyum
Cllr. M. Majeke
Cllr. N. Matyeba
Cllr. N. Jubeni
Cllr. S.N Majikija
Cllr. N.Nkathu
Cllr. N.G Tshaya
Cllr. B.Silinga
Cllr. A.Ketse
Cllr. M.Makaba
Cllr. C.S Tokwana
Cllr. S.C Mshungane
Cllr. S. Ratshalala
Cllr. J. Roeber
Cllr. N. Matubatuba
Cllr. Z.L Siziba
Cllr. B.Vuma
Cllr. M.J Msakeni
Cllr. S.Dalasile
Cllr. S. Mdunyelwa
Cllr. S. Mhlaba
Cllr. T.T Mtshakazana
Cllr. T.Badli
Cllr. L.C Molakalaka
Cllr. D.M Teti
Cllr. B.Nxeve
Cllr. T.M Gqiba
Cllr. L. Makhenke
Cllr. N.V Roji
Cllr. N. Gwebani

Councillors:

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

52. Related parties (continued)

Cllr. B. Ndlobongela
Cllr. F.N Mzimane
Cllr. M.Bunzana
Cllr. R. Knock
Cllr. S. Ngomfela
Cllr. N.S Tukayi
Cllr. L.Luwaca
Cllr. M.G Mbutye
Cllr. K.L. Jozana
Cllr. M.F Nokwali
Cllr. S.A Mthayi
Cllr. M.H Gxekana
Cllr. Y.N Kekezwa
Cllr. A.L Sekese
Cllr. A. Mgquba
Cllr. G.Rapiya
Cllr. N. Matiso
Cllr. G. Ngqola
Cllr. S. Semente
Cllr. W.C Tukwayo
Cllr. T. Malefane
Cllr. S.W Mrawu
Cllr. M. Mpangele
Cllr. M. Gadudu
Cllr. Z. Madyibi
Chief I.F Siziba
Chief N. Mtirara

53. Unauthorised expenditure

Opening balance as previously reported	165 521 158	107 608 375
Add: Unauthorised operating expenditure - current	197 723 397	119 032 989
Add: Unauthorised capital expenditure - current year	-	10 536 169
Less: Unauthorised expenditure - Write off during the year	(129 569 159)	(71 656 375)
Closing balance	233 675 396	165 521 158

Unauthorised expenditure: Budget overspending – per municipal department:

Operating expenditure	Reasons	Total
Executive and Council	Legal fees, Council committee meeting and Employee related cost	5 050 621
Corporate Services	Post Telecommunications and employee related costs and Licence fees	8 570 540
Budget and Treasury Office	Interest on overdue account, Depreciation, Long service provision and Indigent Provision	24 670 132
Community Services	Employee related costs, Community Cleaning Project, Interest on Landfillsites-interest	6 769 967
Public Safety	Employee related costs (Overtime) and Agency services (security)	28 118 403
Technical Services	Depreciation-Infrast Assets, Repairs and Maintenance, Fuel and oil and Donations	124 543 734
		197 723 397

No unauthorised expenditure was incurred on capital expenditure by the municipality during the financial year under review.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
54. Fruitless and wasteful expenditure		
Opening balance as previously reported	4 601 253	20 774 625
Add: Fruitless and wasteful expenditure identified - current year	8 236 033	11 924 271
Less: Amount written off - current	(4 601 253)	-
Less: Amount written off - (OCM 211/07/22)	-	(7 323 020)
Less: Amount written off - prior period (OCM 210/07/22)	-	(19 562 869)
Less: Amount written off - prior period (SCM 227/08/22)	-	(1 211 754)
Closing balance	8 236 033	4 601 253

Fruitless and wasteful expenditure was incurred as a result of interest and penalties charged on late payments, the delays in payments due to cashflow challenges currently being experienced by the municipality.

The Fruitless and wasteful expenditure has been referred to the Municipal Council to be written off in accordance with Section 32(2)(b) of the MFMA.

55. Irregular expenditure

Opening restated balance	345 738 989	1 455 427 899
Add: Irregular expenditure - current	8 867 830	6 844 697
Less: Amount written off - prior period (SCM 225/08/22)	-	(1 116 013 254)
Less: Amount written off - prior period (OCM 212/07/22)	-	(411 954)
Less: Amount written off - prior period (OCM 209/07/22)	-	(108 399)
Less: Amount written off - historic irregular expenditure (SCM 451/05/23)	(100 784 882)	-
Less: Amount written off - historic irregular expenditure (SCM 525/07/23)	(237 691 806)	-
Closing balance	16 130 131	345 738 989

Details of irregular expenditure - current year

No Specification committee	7 476 728
SCM processes not followed	1 391 102
	8 867 830

There was no irregular expenditure incurred from awards made in the current year and the irregular expenditure incurred in the current year is as a result of historic contracts which are as follows:

- No Specification committee in place (This is recurring and is as a result of the Stedone contract which was awarded in 2010) - R7 476 728.13.
- No SCM processes followed (This is historic and is as a result of the Aqua Transport contract which was breached and this contract has expired) - R1 391 101.80.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	5 461 334	5 461 334
Current year subscription / fee	6 131 255	5 423 084
Amount paid - current year	(6 131 255)	(5 423 084)
	5 461 334	5 461 334

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
56. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Distribution losses		
During the 2023 financial year the Municipality incurred distribution losses relating to electricity of 15.47% (2022: 15.87%.		
Electricity distribution losses in units		
Purchases	253 693 042	275 281 159
Own use	(3 424 240)	(3 425 800)
Pre-paid consumer electricity sold	(83 840 198)	(94 637 618)
Conventional consumer billed	(127 189 650)	(133 527 937)
	39 238 954	43 689 804
Units purchased during the year	253 693 042	275 281 159
Units sold during the year	(214 454 088)	(231 591 355)
	39 238 954	43 689 804
Rand per unit	2,56	2.40
Cost in rands	100 377 462	105 017 371

Losses are due to the following:

Own consumption

This is the unbilled energy consumed by the municipality in day-to-day operations (areas like offices, depots, workshops) without which the municipality cannot function.

Public lights

KSDM provides its citizens public lighting through streetlights and High mast lights as part of the constitutional mandate of a safe environment.

Traffic signals

The traffic signals are vital for traffic management and pedestrian safety and these dedicated servants need to operate 24/7 and to operate the consume energy.

Defective meters and administrative errors

Some of the meters were installed a long time ago and are thus providing erratic readings. Meter readings and capturing are done manually wherein the possibility of human error is inevitable. Efforts are being made to audit the work and to monitor consumer complaints.

Electricity Theft and illegal connections

There is growing pattern of electricity theft through illegal connections and unauthorised re-connections. This often poses an unsafe environment and increases the load on the network causing power failures.

Meter tempering

Some residents have tempered with their electricity meters resulting to free consumption and or reduced electricity consumption. Others opted to remove the KSDM prescribed meter and install a foreign meter (in KSDM network supply area) which allows the consumer to buy electricity at the reduced rate.

Audit fees

Opening balance	376 844	4 105 922
Current year subscription / fee	13 400 669	11 976 667
Amount paid - current year	(13 743 412)	(15 705 745)
	34 101	376 844

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, SDL and UIF

Opening balance	(7 473 149)	(4 830 447)
Current year subscription / fee	84 801 839	85 918 508
Amount paid - current year	(84 819 616)	(88 561 210)
	(7 490 926)	(7 473 149)

Pension and Medical Aid Deductions

Opening balance	4 973 859	17 488 815
Current year subscription / fee	112 641 255	106 061 727
Amount paid - current year	(108 045 219)	(118 576 683)
	9 569 895	4 973 859

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2023 and MFMA S124(1)(b) requires them to be disclosed:

30 June 2023	Outstanding more than 90 days	Total
Cllr. Nombulelo Sibeko	4 833	4 833
Cllr. Raymond Knock	67	67
	4 900	4 900
30 June 2022	Outstanding more than 90 days	Total
Cllr Khutala/ Mawande Nokwali	40 949	40 949
Cllr Nombulelo Sibeko	2 148	2 148
Cllr Rapiya Shadrack	57 205	57 205
	100 302	100 302

57. Deviation from supply chain management regulations

The expenses incurred below are instances of Supply Chain Management deviations reported to the council.

Incidents	746 903	1 096 075
Impractical to follow SCM Processes/ Three quotations not obtained	5 587 962	1 095 907
Sole supplier	-	18 470
Pauper burials- body already at parlour		
	6 334 865	2 210 452

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

58. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer and council. The municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's various departments. The accounting officer and council provides written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the effect of discounting is not significant.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	-	468 921 578	-	-
Other financial liabilities	-	2 135 142	4 270 285	-
Consumer deposit	-	29 991 715	-	-
Financial lease obligation	-	6 407 337	116 043	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	-	417 085 098	-	-
Other financial liabilities	-	3 577 177	6 363 968	-
Consumer deposit	-	25 306 028	-	-
Financial lease obligation	-	25 954 244	6 523 168	-

Liquidity risk is mainly concentrated on the Trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

58. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the municipality's investments, loans, receivables, and cash and cash equivalents.

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and limits exposure to any one counter-party in accordance with Council's approved investment policy.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Sales to retail customers are settled in cash or using major credit cards.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Cash and cash equivalents	58 306 528	16 744 464
Receivables from exchange transactions	102 497 307	62 655 213
Receivables from non-exchange transactions	1 823 052	2 108 969

The municipality does not hold any collateral in relation to the financial assets above.

Market risk

Market risk is the risk of change in market prices, such as foreign exchange rates and interest rates, affecting the municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Interest rate risk

The municipality's interest rate risk arises from the long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

59. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	102 497 307	102 497 307
Receivables from non-exchange transactions	1 823 052	1 823 052
Cash and cash equivalents	58 306 528	58 306 528
	162 626 887	162 626 887

Financial liabilities

	At amortised cost	Total
Other financial liabilities	6 405 427	6 405 427

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
59. Financial instruments disclosure (continued)		
Trade and other payables from exchange transactions	397 969 758	397 969 758
Finance lease obligation	6 523 380	6 523 380
	410 898 565	410 898 565

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	62 655 213	62 655 213
Receivables from non-exchange transactions	2 108 969	2 108 969
Cash and cash equivalents	16 744 464	16 744 464
	81 508 646	81 508 646

Financial liabilities

	At amortised cost	Total
Other financial liabilities	9 941 145	9 941 145
Trade and other payables from exchange transactions	357 307 597	357 307 597
Finance lease obligation	32 477 412	32 477 412
	399 726 154	399 726 154

60. Events after the reporting date

The municipality is not aware of any events after 30 June 2023 that may have an impact on the financial statements or require disclosure.

61. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

61. Other liabilities (continued)

Statement of financial position - 2022

	As previously reported	Correction of error	Restated
Receivables from exchange transactions	65 921 409	(3 266 196)	62 655 213
Proprty, plant and equipment	2 195 018 698	(22 978 619)	2 172 040 079
Payables from exchange transactions	(405 661 867)	(11 058 231)	(416 720 090)
VAT	(14 493 649)	1 886 015	(12 607 634)
	1 840 784 591	(35 417 031)	1 805 367 568

Statement of financial performance - 2022

	As previously reported	Correction of error	Restated
Service charges	562 452 446	(1 696 392)	560 756 054
Interest revenue	23 428 823	(594 904)	22 833 919
Debt impairment	(1 586 096)	1 774 760	188 664
General expenses	(263 652 925)	(16 274 931)	(279 927 856)
	320 642 248	(16 791 467)	303 850 781

The following prior period errors adjustments occurred:

STATEMENT OF FINANCIAL POSITION

Receivables from exchange transactions

The changes or adjustments made are due to vacant properties that were erroneously billed for refuse which has since been reversed.

Property, plant and equipment

The changes in property, plant and equipment were due to RDP houses that had been transferred to beneficiaries in the previous year.

VAT

The changes or adjustments made are due to vacant properties that were erroneously billed for refuse which has since been reversed and also legal fees that were received in the current year relating to previous years.

STATEMENT OF FINANCIAL PERFORMANCE

Service charges

The changes or adjustments made are due to vacant properties that were erroneously billed for refuse which has since been reversed.

Interest revenue

The changes or adjustments made are due to vacant properties that were erroneously billed for refuse which has since been reversed.

Debt impairment

The changes or adjustments made are due to vacant properties that were erroneously billed for refuse which has since been reversed.

General expenses

The changes were due to legal fees received in the current year relating to previous year and RDP houses that were transferred in the prior year.

62. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

62. Accounting by principals and agents (continued)

Details of the arrangement are as follows:

The municipality acts as an agent for the Department of Transport whereby it administers the provisioning of motor vehicle licences and registrations as well as driver's licences. It receives compensation for these services based on binding arrangement with the department.

The municipality received funding from the Eastern Cape Department of Human Settlement to build houses on their behalf and thus the municipality is acting as an agent on behalf of the Department

The municipality is the principal or agent. Refer to note 1.21 for significant judgements applied in making this assessment.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is 9 319 063 (2022: 9 156 582).

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Category 1 - Motor Vehicle Licences and Registrations

Opening balance	2 194 961	2 525 842
Amounts received on behalf of the principal	57 378 544	55 116 324
Commission received	(9 319 063)	(9 156 582)
Amounts transferred to the principal	(45 359 633)	(46 290 623)
	4 894 809	2 194 961

Category 2 - Principal liability (Human Settlement housing projects)

Opening balance	9 731 633	15 947 656
Fund received from Principal	9 956 659	-
Funds paid on behalf of principal	(14 835 695)	(6 216 023)
	4 852 597	9 731 633

All categories

Opening balance	11 926 594	18 473 498
Expenses incurred on behalf of the principal	67 335 203	55 116 324
Cash paid on behalf of the principal	(9 319 063)	(9 156 582)
Amounts transferred to the principal	(60 195 328)	(52 506 646)
	9 747 406	11 926 594

Entity as principal (Electricity Vendor system)

Municipality acting as the Principal

The municipality utilises the services of an agent for provision of supply, delivery, installation and commissioning of an online hosted prepayment electricity vending and revenue management system for the King Sabata Dalindyebo (being the principal). These are specialists which are used due to the capacitation of the municipality and it is more cost effective which provide customers easy access to prepaid electricity.

There is a binding arrangement with various vendors getting a 2% commission and the main being Contour Technology (Pty) Ltd getting a 3.5% whereby they act on behalf of the municipality and all terms and conditions are as per the contract and no changes occurred during the period. The total revenue amount collected by the Agents on behalf of the municipality is R177 852 780.

King Sabata Dalindyebo Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

62. Accounting by principals and agents (continued)

Fee paid

Fee paid as compensation to the agent

6 308 812

6 302 535

63. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of five major service areas: electricity, refuse services, fines and penalties, licence services and rental of facilities and equipment. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were separated for reporting purposes and not aggregated. Other functions are non-segment as they are support services.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

Segments identified above have not been aggregated.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Segment 1
Segment 2
Segment 3
Segment 4
Segment 5

Goods and/or services

Electrical Services
Refuse (Solid Waste)
Fines and penalties
Licence services
Rentals of facilities and equipment

**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2023

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Electrical Services	Refuse (Solid Waste)	Non-Segment	Rental of facilities and equipment	Fines and penalties	Community services - Licence and permits services	Total
Revenue							
Revenue from exchange transactions	531 988 026	61 451 970	89 765 437	9 379 805	-	13 865 081	706 450 319
Revenue from non-exchanges transactions	-	-	881 452 475	-	1 579 368	-	883 031 843
Total segment revenue	531 988 026	61 451 970	971 217 912	9 379 805	1 579 368	13 865 081	1 589 482 162
Entity's revenue							1 589 482 162
Expenditure							
Employee related costs	36 312 344	26 151 009	444 492 317	8 575 761	17 998 846	13 682 816	547 213 093
Councillors remuneration	-	-	29 698 451	-	-	-	29 698 451
Bulk purchases	398 821 615	-	-	-	-	-	398 821 615
Contracted Services	-	-	25 479 956	-	-	-	25 479 956
Depreciation and Amortisation	20 235 076	15 064 428	224 399 922	-	-	-	259 699 426
Finance costs	-	1 793 036	11 790 841	-	-	-	13 583 877
Lease rentals on operating lease	686 584	34 500	10 581 787	3 000	-	594 439	11 900 310
Grants and Subsidies paid	-	-	64 417 857	-	-	-	64 417 857
Debt impairment	-	-	21 665 529	-	-	-	21 665 529
General expenses	112 800 091	11 496 181	128 038 595	225 734	896 608	659 681	254 116 890
Loss on disposal	-	-	6 777 449	-	-	-	6 777 449
Transfer of properties	-	-	24 918 969	-	-	-	24 918 969
Impairment loss	-	-	2 444 464	-	-	-	2 444 464
Total segment expenditure	568 855 710	54 539 154	994 706 137	8 804 495	18 895 454	14 936 936	1 660 737 886
Total segmental surplus/(deficit)	(36 867 684)	6 912 816	(23 488 225)	575 310	(17 316 086)	(1 071 855)	(71 255 724)

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

63. Segment information (continued)

Assets

Current asset

Non-current assets

Total segment assets

Total assets as per Statement of financial Position

Liabilities

Current liabilities

Non-current liabilities

Total segment liabilities

Total liabilities as per Statement of financial Position

2022

	Electrical Services	Refuse (Solid Waste)	Non-Segment	Rental of facilities and equipment	Fines and penalties	Community services - Licence and permits services	Total
	-	-	463 555 293	-	-	-	463 555 293
	447 189 489	-	1 919 247 639	-	-	-	2 366 437 128
	447 189 489	-	2 382 802 932	-	-	-	2 829 992 421
							2 829 992 421
	-	-	(555 433 891)	-	-	-	(555 433 891)
	-	-	(60 555 019)	-	-	-	(60 555 019)
	-	-	(615 988 910)	-	-	-	(615 988 910)
							(615 988 910)

Revenue

Revenue from non-exchange transactions

Revenue from exchange transactions

Total segment revenue

Entity's revenue

	Electrical Services	Refuse (Solid Waste)	Non-Segment	Rental of facilities and equipment	Fines and penalties	Community Services - Licence and permits services	Total
	-	-	817 338 980	-	1 922 021	-	819 261 001
	511 376 952	57 185 874	56 296 003	18 022 332	-	13 460 587	656 341 748
	511 376 952	57 185 874	873 634 983	18 022 332	1 922 021	13 460 587	1 475 602 749
							1 475 602 749

Annual Financial Statements for the year ended 30 June 2023

Figures in Rand

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

King Sabata Dalindyebo Local Municipality
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

63. Segment information (continued)

Measurement of Specific segment information

The accounting policies of the respective segments are same as those in the summary of significant accounting policies and therefore the basis of measurement between the segments reporting and the annual financial statements are consistent.

The municipality has no changes to the structure of its internal organisation in a manner that causes the composition of its reportable segments to change from the prior year.

Measurement of Specific non- segment information

The non-segment included above is the reconciling between the totals of segment revenues, reported segment surplus or deficit, segment assets segment liabilities to the corresponding municipality amounts as per the statement of financial performance and statement of financial position.

Geographic Segment Reporting

Although the municipality operates in a number of geographic areas (i.e. wards) in and around the Mthatha and Mqanduli area, the geographic information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the municipality has assessed that it operates in a single geographic area.

King Sabata Dalindyebo Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

64. Going concern

Total assets amounting to R2 829 992 421 exceed liabilities balance amounting to R615 988 910 by R2 214 003 503. the municipality is in a net asset situation. Accumulated surplus for the period is R1 686 499 697.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Description of the events, conditions, circumstances that indicate going concern uncertainty:

- The current liabilities are currently exceeding the current assets and the current ratio is less than the 1 which is less than the required norm.
- The municipality is taking more than the required 30 days to pay creditors and more than 60 days to collect its outstanding debtors.
- Also, the repairs and maintenance of assets is below the norm of 8% and the electricity distribution losses are sitting at 15.47% which is above the norm.

The above are an indication of going concern uncertainty. Based on the above thus, there is a material uncertainty related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Description of the measures taken to warrant going concern

and thus this is an indication of going concern uncertainty. The gross debtors for receivables from non-exchange transactions are sitting at R410 million while gross debtors for receivables from exchange transactions are sitting at R414 million and in total combined are sitting at R824 million which is almost two times the total current liabilities. The municipality has appointed a debt collector to assist in collecting these debtors and as such this will assist the municipality in future to reduce the current liabilities.

The total assets exceed the total liabilities by R2 billion, the municipality is in a net asset situation. In addition, the current liabilities that require settlement amounts to R492 million. The municipality will receive equitable share amounting to R 434 million and R103 million for MIG in terms of the DORA allocation as gazetted in the 2023/24 financial year Division of Revenue Act. Municipality has collected more than 97% on billed income and 98% on billed electricity.

Eskom amount payable amounts to R209 million. The municipality, in the preparation of the 2023/24 budget, has taken onto account balances owed to ESKOM in relation to the arrear arrangement.

The municipality will increase efforts to recover the substantial arrears via the tools provided within the municipality's credit policy. The municipality has other potential revenue collection strategies such as allocation of current receipting against historical debt, limited amnesty.

Collections of other service debts via the prepaid system, door to door campaign and debt collection agents. Debt collector has been appointed to collect revenue on difficult to collect debtors.

The municipality has a number of contingencies listed within the Annual Financial Statements. A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Should a contingent liability translate into an actual liability, the municipality will, if required revisit its current budgets to ensure that the liability is settled as required.

In addition to the above, the municipality plans to finance this shortfall through the following measures:

- Cut backs on discretionary spending
- Municipality has appointed service providers for resource mobilization and that has led to the municipality getting refunds from SARS amounting to R27m for penalties and interest incurred in 2022.

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2023